



P.O. Box 942709  
Sacramento, CA 94229-2709  
**888 CalPERS** (or **888-225-7377**)  
Telecommunications Device for the Deaf  
No Voice (916) 795-3240  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

Date: March 5, 2007  
Reference No.:  
Circular Letter No.: 200-011-07  
Distribution: **IV, V, VI, X, XII, XVI**  
Special:

# **Circular Letter**

**TO: ALL CALPERS EMPLOYERS**

**SUBJECT: ON-SITE FIELD REVIEWS**

Since 1991, the CalPERS Office of Audit Services (OFAS) has conducted on-site field reviews of our contracting employers to ensure the integrity and solvency of the CalPERS retirement program. These reviews meet requirements for compliance oversight for the CalPERS programs, as well as provide important training and program improvement information for our agencies. Historically, the reviews have included an examination of a number of different areas, such as:

- The accuracy of reported payrate and special compensation
- Utilization of the proper payroll reporting elements
- Timeliness of payroll reporting and remitting contributions
- Coverage group classification
- CalPERS contract provisions
- Industrial disability retirement determinations
- Employment of retired annuitants
- Retirement reporting of unused sick leave for additional service credits
- Automated Communications Exchange System (ACES) security practices
- Membership eligibility and enrollment procedures of:
  1. Temporary/Part-time Employees
  2. Independent Contractors
  3. Employees working through a Temporary Employment Agency
  4. Optional membership
  5. Joint Powers Authorities and other separate entities

In January 2006, OFAS expanded their reviews to include health benefits eligibility, enrollment and premium payment processes for agencies contracting for the CalPERS Health Benefits program under the Public Employees' Medical and Hospital Care Act

(PEMHCA). PEMHCA, the governing authority for the CalPERS Health Benefits Program, outlines agency responsibilities to include:

- Ensuring eligible members are offered PEMHCA health coverage
- Keeping accurate and up-to-date records of all enrollment related information (such as, birth certificates, marriage certificates, divorce decrees, etc.)
- Timely informing CalPERS of any change in member enrollment or status

Depending on the size of your agency, if you are selected to be audited, you can expect to have an auditor at your agency anywhere from one to two weeks. Some of the records you will be asked to provide are:

- Payroll registers
- Personnel files
- Salary schedules
- Written labor policies and/or agreements for all employees
- CalPERS Listings and Summary Reports
- ACES' security agreements
- Financial Statements Audited by a CPA firm
- IRS forms 1099-MISC
- Reports that monitor the hours worked for temporary employees and retired annuitants

For the review of the health benefits eligibility, enrollment and payment process you will be asked to provide:

- Copies of birth certificates, marriage certificates, divorce decrees
- Affidavit of Eligibility (HBD-35) for economically dependent children
- Declaration of Domestic Partnership for domestic partners
- Spouse's social security number
- Documentation of monthly premium contribution payments

Once the review is complete, OFAS will provide a confidential draft report to your agency. You will have an opportunity to respond to the confidential draft report and your comments will be included in the final report. Copies of the final report are distributed within CalPERS to the CalPERS Board of Administration, Employer Services Division, Benefits Services Division and the Office of Employer and Member Health Services. You will work collaboratively with these CalPERS divisions to resolve any issues identified during the review.

Our auditors are a valuable resource to use as they have an extensive knowledge of reporting procedures and requirements. If you have questions that they can't answer immediately, they will direct you to a knowledgeable source. Through the audit

process, our agencies and auditors work together to ensure lasting value and future strength for both the Agency and the CalPERS program.

If you have any questions, please contact the Employer Contact Center at **888 CalPERS** (or **888-225-7377**).

A handwritten signature in cursive script, reading "Lori McGartland".

Lori McGartland, Chief  
Employer Services Division